



MEMORANDUM

DATE: October 15, 2018

TO: USAID/Tanzania, Mission Director, Andrew Karas

FROM: Regional Inspector General/Pretoria, Robert Mason /s/

SUBJECT: Financial Audit of USAID Resources Managed by National Council for People Living with HIV and AIDS in Tanzania Under Grant Agreement AID-621-G-14-00003, July 1, 2016, to June 30, 2017 (Report No. 4-621-19-003-R)

This memorandum transmits the final audit report on USAID resources managed by National Council for People Living with HIV and AIDS (NACOPHA). NACOPHA contracted with the independent certified public accounting firm RSM Eastern Africa, Dar es Salaam, Tanzania to conduct the audit. The audit firm stated that the contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS).

The audit firm states that it performed its audit in accordance with GAGAS, except that the audit firm did not have continuing professional education and external quality control review programs that fully satisfied the requirements set forth in GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on NACOPHA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate the NACOPHA's internal controls; (3) determine whether NACOPHA complied with award terms and applicable laws and regulations; (4) conduct an audit on indirect costs rate; and (5) determine whether NACOPHA has taken adequate corrective actions on recommendations in prior audit reports.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

To answer the audit objectives, RSM Eastern Africa (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by NACOPHA as incurred from July 1, 2016, to June 30, 2017; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to NACOPHA's ability to report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; (4) determined that the review of the indirect cost rate was not applicable; and (5) reviewed the implementation status of prior period recommendations. NACOPHA reported expenditures of \$1,201,732 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. The report did not identify any internal control weaknesses or instances of material noncompliance.

Although the report did not identify any questioned costs, we determined that the interest received in excess of \$250 not yet remitted (\$573) should have been identified as an ineligible questioned cost. Although OIG does not track questioned costs less than \$1,000, we encourage the mission to determine the allowability of the aforementioned questioned costs and recover any amounts sustained.

In addition, the audit firm issued a management letter that included an instance of noncompliance with a mandatory standard provision. Specifically, the auditors noted that the total costs on monthly liquidation reports exceeded those shown on the fund accountability statement by \$45,167. This arose because staff advances were accounted for as expenses in liquidation reports to USAID but as receivables in the recipient's accounting system. We consider this an instance of material noncompliance.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated October 15, 2018.

To address the issues identified in the report, we recommend that USAID/Tanzania:

Recommendation 1. Verify that National Council for People Living with HIV and AIDS corrects the one instance of material noncompliance detailed on pages 15 and 16 of the management letter.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information

restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) (“commercial or financial information obtained from a person that is privileged or confidential”).